

Proceeding as before, we have the proportion: as £105 is to 3|-, so is £100 to the return actually obtained as a percentage. The result is £3 *Qs. Qd.* per cent. But a sinking fund must be established (or assumed to be established) for recouping the loss of the £5 at the end of the period. As £1 per annum will at 3 per cent compound interest (this rate being appropriate to the formation of such a fund) accumulate to £36 *9s. %d.* in twenty-five years' time, an annual sum of 2s. *9d.* is necessary to restore the extinguished £5. Hence for the £105 expended the investor receives £3 10s. in interest, and diminishing this income by the sinking fund provision, the net amount is £3 7s. *3d.* Then as £105 is to £3 7s. *M.*, so £100 is to the actual rate per cent realised, or £3 4s. *l<rZ.* Receiving the return of £3 4s. *.Id.* per cent, he also secures the full £105 when the bond is discharged, namely, £100 from the bond, and the £5 from the accumulated amount of the sinking fund.

Reference may be briefly made to certain foreign loans (which require, if they be selected, the exercise of special knowledge and judgment) which are redeemable by what is termed an accumulative sinking fund ; that is to say, where the bonds are repayable annually by drawings by lot with a bonus, since they are usually issued at a discount and repayable at par. If an investor's bond be drawn for redemption at an early stage in the duration of the loan, he realises, it is evident, by his speedy receipt of the bonus a very substantial rate of interest on the investment, while if the drawing of his bond be deferred for a considerable time, the remunerative rate becomes less and less, though, of course, always higher than the rate of interest which the bonds bear. If he invested in a very large number of bonds, he might reasonably assume that his bonds would be drawn for repayment year by year (and thus be able to estimate the probable total realised rate), in the proportion which the aggregate amount of such bonds bore to the total amount of the loan.

But, as a rule, the investor who simply wishes for a sure and steady income in stable securities should exclude from his

survey investments with this mode of redemption. A further practical objection lies in the fact that if the bond be drawn he is burdened with the cost and trouble of discovering a fresh